

**AGREEMENT BETWEEN
THE GOVERNMENT OF THE UNITED STATES OF AMERICA AND THE CENTRAL BANK OF COSTA
RICA REGARDING A DEBT-FOR-NATURE SWAP WITH RESPECT TO CERTAIN DEBT OWED BY
THE CENTRAL BANK OF COSTA RICA TO THE GOVERNMENT OF THE UNITED STATES OF
AMERICA**

The Government of the United States of America and the Central Bank of Costa Rica,

Seeking to facilitate the conservation, protection, restoration, and sustainable use and management of tropical forests in Costa Rica, which provide a wide range of benefits to humankind.

Noting that rapid rates of tropical deforestation and forest degradation continue to be serious problems in many regions of the world,

Recognizing that the restructuring of external debt in the context of broader economic reforms can result in increased protection for tropical forests,

Wishing to ensure that resources from debt restructuring will be used for the conservation of tropical forests,

Further recognizing the role played by The Nature Conservancy in tropical forest protection in Costa Rica, and the success of non-governmental organizations in Costa Rica in conserving and managing tropical forest land in Costa Rica,

Further wishing to build on work resulting from the agreements concluded in 2007 under the U.S. Tropical Forest Conservation Act of 1998, as amended,

In consideration of the Debt Reduction Payment by the Government of the United States of America and the restructuring of the debt obligations owed to the U.S. Agency for International Development by the Central Bank of Costa Rica,

In furtherance of the goals of the U.S. Tropical Forest Conservation Act of 1998, Public Law No. 105-214, as amended, and the Department of State, Foreign Operations and Related Programs Appropriations Acts for U.S. fiscal years 2008 and 2010, contained respectively in Public Laws Nos. 110-161 and 111-117, and

Acknowledging that the U.S. Tropical Forest Conservation Act of 1998, as amended, establishes in the U.S. Department of the Treasury a Tropical Forest Facility for the administration of debt reduction involving, inter alia, concessional loans extended by the U.S. Agency for International Development.

Have agreed on this 24th day of September, 2010, and contract as follows:

ARTICLE I DEFINITIONS

- 1.1. **Defined Terms.** The capitalized terms contained and used in this Agreement shall have the respective meanings set forth in this Section 1.1 and elsewhere in this Agreement. If a capitalized term is not defined in this Agreement and it is defined in the Debt Swap Program Agreement, the Swap Fee Contractual Agreement, or the Forest Conservation Agreement, then it shall have the meaning set forth in the Debt Swap Program Agreement, the Swap Fee Contractual Agreement, or the Forest Conservation Agreement, as applicable.
- (a) "Administrator" has the meaning set forth in the Forest Conservation Agreement.
- (b) "Agreement" means this Agreement between the Government of the United States of America and the Central Bank of Costa Rica Regarding a Debt-for-Nature Swap with Respect to Certain Debt Owed by the Central Bank of Costa Rica to the Government of the United States of America, as it may be amended from time to time.
- (c) "Business Day" means any day on which the Federal Reserve Bank of New York and the CBCR are both open for business.
- (d) "CBCR" means the Central Bank of Costa Rica.
- (e) "Closing" has the meaning set forth in Section 2.3 of this Agreement.
- (f) "Closing Date" has the meaning set forth in Section 2.3 of this Agreement.
- (g) "Debt Reduction Payment" means the transfer of nineteen million, six hundred thirty-eight thousand U.S. Dollars (US\$19,638,000.00) by the U.S. Department of the Treasury from the Debt Restructuring Account to the USAID Account.
- (h) "Debt Restructuring Account" means the Debt Restructuring Program Account at the U.S. Department of the Treasury.
- (i) "Debt Service Account" means the account of such name that: (a) is opened and maintained by the Trustee in accordance with the Trust Agreement; (b) serves as the master account, receiving all Payments from the CBCR and the payment of Swap Fee B, and transferring all such funds to the FCA Grants Account and/or the FCA Endowment Account, as the case may be; and (c) is operated by the Trustee in accordance with the instructions of the Oversight Committee, provided that prior to the execution and delivery of the Trust Agreement, "Debt Service Account" shall mean the FCA Escrow Account.
- (j) "Debt Swap Program Agreement" means the Agreement between the

Government of the United States of America and the Government of the Republic of Costa Rica Regarding a Debt-for-Nature Swap Program under the U.S. Tropical Forest Conservation Act, dated as of the date hereof, as it may be amended from time to time.

- (k) "FCA Escrow Account" has the meaning set forth in the Forest Conservation Agreement.
- (l) "Forest Conservation Agreement" means the Forest Conservation Agreement among the Government of the Republic of Costa Rica, the Central Bank of Costa Rica, and The Nature Conservancy, dated as of the date hereof, as it may be amended from time to time.
- (m) "GCR" means the Government of the Republic of Costa Rica.
- (n) "Outstanding Obligations" means Loans 515K037, 515K040A, and 515K043 under the agreement entitled "Loan Agreement between the United States of America, acting through the U.S. Agency for International Development, and the Central Bank of Costa Rica" dated July 15, 1982, August 28, 1983, and May 7, 1984 (and previously restructured in September of 2007), respectively, that obligate the CBCR to repay principal and interest on debt whose aggregate outstanding principal sums amount to US\$22,142,359.12 and whose aggregate outstanding scheduled interest sums amount to US\$2,823,941.89, as of August 27, 2010.
- (o) "Oversight Committee" has the meaning set forth in the Forest Conservation Agreement.
- (p) "Party" means either the USG or the CBCR, and "Parties" means, collectively, the USG and the CBCR.
- (q) "Payment Due Date" has the meaning set forth in Section 6.1 of this Agreement.
- (r) "Restructured TFCA Obligations" means the CBCR's undertakings pursuant to this Agreement that obligate the CBCR to make payments to the Debt Service Account in accordance with the terms and conditions set forth in this Agreement and the Forest Conservation Agreement, in the amounts set forth in Schedule A of this Agreement.
- (s) "Swap Fee Contractual Agreement" means the Swap Fee Contractual Agreement between the Government of the United States of America and The Nature Conservancy, dated as of the date hereof, as it may be amended from time to time.
- (t) "TFCA" means the U.S. Tropical Forest Conservation Act of 1998, Public Law No. 105-214, as amended.

- (ii) "TNC" means The Nature Conservancy, a non-profit corporation organized under the laws of the District of Columbia in the United States of America, and any of its successors.
- (v) "Trust Agreement" has the meaning set forth in the Forest Conservation Agreement.
- (w) "Trustee" has the meaning set forth in the Forest Conservation Agreement.
- (x) "USAID" means the U.S. Agency for International Development.
- (y) "USAID Account" means the Debt Restructuring Financing Account #11X4137 of USAID in the name of "Controller, Office of Financial Management, Agency for International Development", ALC# 72000001, on the books of the Federal Reserve Bank of New York.
- (z) "U.S. Dollar" means the legal tender of the United States of America.
- (aa) "USG" means the Government of the United States of America, acting primarily through the U.S. Department of the Treasury.

ARTICLE II CLOSING

- 2.1. Obligations of the USG. Pursuant to the terms and subject to the conditions hereof, at the Closing, the USG shall (a) make the Debt Reduction Payment and cancel all remaining amounts due and unpaid under the Outstanding Obligations, and (b) substitute the Restructured TFCA Obligations for the Outstanding Obligations.
- 2.2. Obligations of the CBCR. Pursuant to the terms and subject to the conditions hereof, at the Closing, the CBCR shall (a) substitute the Restructured TFCA Obligations for the Outstanding Obligations, and (b) if the Closing Date coincides with a Payment Due Date, make the payment due to the Debt Service Account on such Payment Due Date under the Restructured TFCA Obligations in accordance with the terms of this Agreement and the Forest Conservation Agreement.
- 2.3. Closing. After the conditions set forth in Article IV have been met or waived in accordance with that article, the consummation of the transactions set forth in Sections 2.1 and 2.2 of this Article (the "Closing") shall take place on a Business Day (the "Closing Date") on or before November 12, 2010, as agreed by the Parties, the GCR, and TNC in writing.

ARTICLE III **PAYMENT OF RESTRUCTURED OBLIGATIONS**

- 3.1. **Payments of Principal and Interest.** The CBCR shall make payments of principal and interest after the Closing in U.S. Dollars on the Restructured TFCA Obligations to the Debt Service Account in accordance with the payment schedule in Schedule A of this Agreement.
- 3.2. **Interest on Overdue Payments.** Interest shall accrue, at an interest rate of three percent (3.0%) per annum, on the outstanding balance of principal of the Restructured TFCA Obligations and on any due and unpaid interest.
- 3.3. **Business Day Adjustment.** For any payment to the Debt Service Account, where the day on or by which a payment is due to be made is not a Business Day, such payment shall be made on or by the next succeeding Business Day. Interest, fees, and charges thereon (if any) shall not continue to accrue for the period from the due date that is not a Business Day to that next succeeding Business Day.
- 3.4. **Voluntary Prepayments.** In accordance with the terms and conditions set forth in the Forest Conservation Agreement, the CBCR may prepay without any cost, premium, or penalty all or any portion of the Restructured TFCA Obligations with not less than thirty (30) days' prior notice to the Oversight Committee. Any such prepayment shall be made at face value, with no discount for early payment.
- 3.5. **Payment Obligations Absolute.** The payment obligations of the CBCR hereunder constitute direct, unconditional, and general obligations of the CBCR.
- 3.6. **No Assignment.** The CBCR shall not assign, delegate, or otherwise transfer any obligation under the Restructured TFCA Obligations to any third party without the prior written consent of the USG; such consent shall not be unreasonably withheld or delayed.

ARTICLE IV **CONDITIONS TO CLOSING**

- 4.1. **Conditions Precedent.** The obligation of the USG hereunder to make the Debt Restructuring Payment and to substitute the Restructured TFCA Obligations for the Outstanding Obligations shall be subject to the fulfillment of each of the following conditions performed to the satisfaction of the USG, or waiver of the condition by the USG, on or prior to the Closing Date:
 - (a) **Swap Fee Contractual Agreement.** TNC shall have executed and delivered to the USG the Swap Fee Contractual Agreement, such agreement shall be in full force and effect as of the Closing Date, and TNC shall have duly

performed and complied in all material respects with all agreements, covenants and conditions applicable to it under the Swap Fee Contractual Agreement as of the Closing Date;

(b) Forest Conservation Agreement. The Forest Conservation Agreement shall have been executed by and delivered to the parties thereto, and the conditions set forth in Section 3.2 of the Forest Conservation Agreement shall have been satisfied or waived prior to, or concurrently with, the Closing;

(c) Debt Swap Program Agreement. The Debt Swap Program Agreement shall have been executed by and delivered to the parties thereto, such agreement shall be in full force and effect as of the Closing Date, and the GCR shall have duly performed and complied in all material respects with all agreements, covenants, and conditions with which it is required to perform or comply under the Debt Swap Program Agreement as of the Closing Date;

(d) Payment under the Outstanding Obligations. The CBCR shall have paid in full all amounts due under the Outstanding Obligations up to, but not including, the Closing Date; and

(e) Other Documents. The USG shall have received from the CBCR such further documents, opinions, and certificates as the USG shall reasonably request.

ARTICLE V ADDITIONAL COVENANTS OF THE CBCR

- 5.1. Consultation. The CBCR agrees to consult with the USG, the GCR, and TNC before undertaking any action that could reasonably be expected to affect the activities of the Administrator, the Trustee, or the Oversight Committee.
- 5.2. Financial Reports. The CBCR agrees to forward to the USG, within thirty (30) days of receipt, all reports from the Administrator or the Trustee relating to the payment of the Restructured TFCA Obligations. The USG acknowledges that reports received from the Administrator or the Trustee will fulfill the CBCR's obligation to provide those reports to the USG.
- 5.3. Audits and Evaluations. The CBCR agrees to make its best efforts to assist the USG in the satisfactory performance of any audits and evaluations of the CBCR's participation in this program deemed necessary by the USG in its sole discretion. Such audits and evaluations may be in addition to audits and evaluations required under the Forest Conservation Agreement. The CBCR further agrees to make its best efforts to assist the USG in obtaining any information requested by the USG for purposes of such audits and evaluations.
- 5.4. Notice of Amendment. The CBCR shall promptly notify the USG of any proposed

amendment to the Forest Conservation Agreement. The CBCR must obtain the USG's approval prior to adopting any such proposed amendment.

- 5.5. **Public Availability.** The USG and the CBCR agree that this Agreement and the Forest Conservation Agreement, including all annexes and schedules, may be made available to the public.

ARTICLE VI **FAILURE TO MAKE PAYMENTS UNDER THE RESTRUCTURED TFCA OBLIGATIONS**

- 6.1. In the event the CBCR does not make full payment of any installment under the Restructured TFCA Obligations when due under this Agreement (each such due date, a "Payment Due Date"), the CBCR shall immediately commence discussions with the USG to resolve such payment default (and in no event shall such discussions be commenced later than seven (7) Business Days after the respective Payment Due Date). The CBCR and the USG agree to use their best efforts to find a mutually acceptable resolution.
- 6.2. In the event the CBCR and the USG are unable to find a mutually acceptable solution within sixty (60) days following the applicable Payment Due Date, the USG, in its sole discretion, may declare all, or any part of, future payments under the Restructured TFCA Obligations due and payable immediately in U.S. Dollars, in which case such amounts shall be paid to the Trustee for deposit into the Debt Service Account for distribution in accordance with the Forest Conservation Agreement.
- 6.3. If, after one hundred twenty (120) days from the applicable Payment Due Date, the CBCR still has not paid all arrears under the Restructured TFCA Obligations, and one of the following events has occurred:
 - (a) The USG has not exercised its rights under Section 6.2 above; or
 - (b) The USG has exercised its rights under Section 6.2, but not made a claim for all future payments under the Restructured TFCA Obligations to be due and payable immediately in U.S. Dollars;

then TNC shall have the right to seek the enforcement of the Restructured TFCA Obligations in accordance with Section 9.5.1 of the Forest Conservation Agreement.

ARTICLE VII **CONSULTATION**

Upon the written request of either Party, the Parties shall consult concerning the implementation or interpretation of this Agreement. These consultations shall take place within thirty (30) days after a request for consultations is received from either of the Parties.

ARTICLE VIII **AMENDMENT AND NOTIFICATION**

- 8.1. **Amendment; Waiver.** This Agreement may be amended with the written consent of both Parties. No provision of this Agreement may be waived orally, but only by a written instrument signed by the Party against whom enforcement of such waiver is sought. A failure or delay in exercising any right, power, or privilege in respect of this Agreement shall not be presumed to operate as a waiver, and a failure or delay in exercising a single or partial exercise of any right, power, or privilege shall not be presumed to preclude any subsequent or further exercise of that right, power, or privilege or the exercise of any other right, power, or privilege.
- 8.2. **Notice.** All notices, consents, requests, instructions, approvals, and other communications provided for herein shall be in writing and shall be deemed validly given (a) on the date of delivery when delivered by hand; (b) on the date of transmission when sent by facsimile transmission during normal business hours with telephone confirmation of receipt; or (c) on the date of receipt in accordance with the records of receipt of a reputable overnight courier that maintains records of receipt, all addressed as set forth below (or to such other address as any Party shall have designated by notice in accordance with this Section 8.2 to the other Party).

(i) To the USG:

Deputy Assistant Secretary
Environment and Energy
U.S. Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, DC 20220 U.S.A.
(202) 622-2000 (telephone)
(202) 622-0037 (facsimile)

(ii) To the CBCR:

Gerencia,
Banco Central de Costa Rica
Avenidas Central y Primera, Calles
Dos y Cuatro, San Jose, Costa Rica
(506) 2243-3035 (telephone)
(506) 2243-3031 (facsimile)

ARTICLE IX **ENTRY INTO FORCE AND TERMINATION**

- 9.1. **Entry into Force.** This Agreement shall become effective on the date of the last signature below ("Effective Date"). Each Party's signature below evidences that all necessary domestic legal requirements for entry into force of the Agreement have been fulfilled under the respective country's laws. If this Agreement shall not have entered into force on or before September 30, 2010, entry into force shall be precluded. Once in force, this Agreement shall remain in force unless terminated in accordance with the provisions of Section 9.2 of this Agreement.
- 9.2. **Termination.** This Agreement shall terminate (a) on November 12, 2010, if the Closing Date has not occurred on or before that date; or (b) if the Closing has occurred, upon the payment by the CBCR of all amounts due under this Agreement. In addition, a Party hereto may terminate this Agreement upon or after the termination of the Forest Conservation Agreement, the Debt Swap Program Agreement, and the Swap Fee Contractual Agreement, provided that the Party intending to terminate this Agreement (i) notifies the other Party by notice seven (7) days in advance of the requested termination date which shall be a Business Day ("Termination Date"); and (ii) is not in default under this Agreement, the Debt Swap Program Agreement, the Forest Conservation Agreement, or the Swap Fee Contractual Agreement.

ARTICLE X **OTHER PROVISIONS**

- 10.1. **No Donation.** This Agreement does not constitute a grant or donation from the USG to the CBCR or the GCR.
- 10.2. **Schedules.** The following schedule is part of this Agreement:

Schedule A

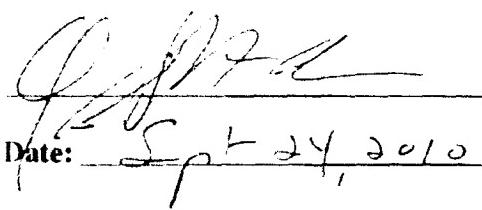
Payment Schedule for Restructured TFCA Obligations

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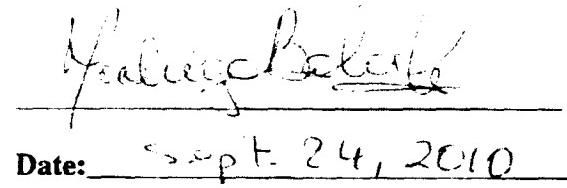
IN WITNESS WHEREOF the undersigned, being duly authorized, have executed and delivered this Agreement.

DONE at San Jose, Costa Rica, in the English language, this 24th day of September, 2010.

FOR THE GOVERNMENT OF THE
UNITED STATES OF AMERICA:


Date: Sept 24, 2010

FOR THE CENTRAL BANK OF COSTA
RICA:


Date: Sept. 24, 2010



Schedule A
Schedule of Payments under Restructured TFCIA Obligations

Obligation 1				Obligation 2				Obligation 3			
Payment Due Date	Scheduled Principal	Scheduled Interest		Payment Due Date	Scheduled Principal	Scheduled Interest		Payment Due Date	Scheduled Principal	Scheduled Interest	
2/5/2011	\$ 203,766.45	\$ 113,284.13		11/30/2010	\$ 1,642,226.16	\$ 180,390.19		11/15/2010	\$ 74,360.61	\$ 36,461.37	
8/5/2011	\$ 267,712.79	\$ 139,327.79		5/30/2011	\$ 1,656,859.55	\$ 155,756.80		5/15/2011	\$ 75,476.22	\$ 37,345.85	
2/5/2012	\$ 271,728.48	\$ 105,312.10		11/30/2011	\$ 1,691,862.45	\$ 130,753.90		11/15/2011	\$ 76,608.37	\$ 36,215.51	
8/5/2012	\$ 275,804.41	\$ 101,236.17		5/30/2012	\$ 1,717,240.38	\$ 105,375.97		5/15/2012	\$ 77,757.49	\$ 35,664.56	
2/5/2013	\$ 279,941.48	\$ 97,099.10		11/30/2012	\$ 1,742,998.99	\$ 79,617.38		11/15/2012	\$ 78,923.66	\$ 33,898.02	
8/5/2013	\$ 284,140.60	\$ 92,899.98		5/30/2013	\$ 1,769,143.97	\$ 53,472.38		5/15/2013	\$ 80,167.71	\$ 32,714.16	
2/5/2014	\$ 288,402.71	\$ 88,637.87		11/30/2013	\$ 1,795,681.21	\$ 26,935.22		11/15/2013	\$ 81,369.33	\$ 31,512.55	
8/5/2014	\$ 292,728.75	\$ 84,311.83		Total	\$ 12,026,012.71	\$ 732,301.82		5/15/2014	\$ 82,528.97	\$ 30,292.91	
2/5/2015	\$ 297,119.68	\$ 79,920.90						11/15/2014	\$ 83,766.90	\$ 29,054.97	
8/5/2015	\$ 301,576.48	\$ 75,464.10						5/15/2015	\$ 85,023.41	\$ 27,798.47	
2/5/2016	\$ 306,100.12	\$ 70,940.46						11/15/2015	\$ 86,298.76	\$ 26,523.12	
8/5/2016	\$ 310,691.62	\$ 66,348.96						5/15/2016	\$ 87,593.24	\$ 25,228.64	
2/5/2017	\$ 315,352.00	\$ 61,688.58						11/15/2016	\$ 88,907.14	\$ 23,914.74	
8/5/2017	\$ 320,082.28	\$ 56,958.30						5/15/2017	\$ 90,240.75	\$ 22,581.13	
2/5/2018	\$ 324,883.51	\$ 52,157.07						11/15/2017	\$ 91,594.36	\$ 21,227.52	
8/5/2018	\$ 329,756.77	\$ 47,283.81						5/15/2018	\$ 92,968.27	\$ 19,853.61	
2/5/2019	\$ 334,703.12	\$ 42,337.46						11/15/2018	\$ 94,362.79	\$ 18,459.08	
8/5/2019	\$ 339,723.66	\$ 37,316.92						5/15/2019	\$ 95,778.24	\$ 17,043.64	
2/5/2020	\$ 344,818.32	\$ 32,221.06						11/15/2019	\$ 97,214.91	\$ 15,806.97	
8/5/2020	\$ 349,991.81	\$ 27,048.77						5/15/2020	\$ 98,673.13	\$ 14,148.74	
2/5/2021	\$ 355,241.69	\$ 21,798.89						11/15/2020	\$ 100,153.23	\$ 12,668.65	
8/5/2021	\$ 360,570.31	\$ 16,702.27						5/15/2021	\$ 101,655.53	\$ 11,166.35	
2/5/2022	\$ 365,978.87	\$ 11,061.71						11/15/2021	\$ 103,180.36	\$ 9,641.51	
8/5/2022	\$ 371,468.52	\$ 5,572.03						5/15/2022	\$ 104,728.07	\$ 8,093.81	
Total	\$ 7,552,275.63	\$ 1,496,698.26						11/15/2022	\$ 106,298.99	\$ 6,522.89	
								5/15/2023	\$ 107,893.47	\$ 4,928.40	
								11/15/2023	\$ 109,511.88	\$ 3,310.00	
								5/15/2024	\$ 111,154.59	\$ 1,667.32	
								Total	\$ 2,564,070.78	\$ 534,941.81	